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Dick, George Handasyde

The present position of the currency question

[Glasgow]

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The Present Position of the Currency Question

In connection with

Mr. Goschen's Speech at Leeds, on 28th Jan., 1891.

Geo. Handasyde Dick.

"*It is a great mistake to suppose that the adoption of the gold*
"*valuation by other states, besides England, will be beneficial. It*
"*will only lead to the destruction of the monetary equilibrium*
"*hitherto existing, and cause a fall in the value of silver, from*
"*which England's trade and the Indian silver valuation will suf-*
"*fer more than all other interests, grievous as the general decline*
"*of prosperity all over the world will be. The strong doctrinism*
"*existing in England as regards the gold valuation is so blind,*
"*that when the time of depression sets in, there will be this special*
"*feature; the economical authorities of the country will refuse*
"*to listen to the cause here foreshadowed; every possible*
"*attempt will be made to prove that the decline of commerce is due*
"*to all sorts of causes and irreconcilable matters. The workman and*
"*his strikes will be the first convenient target; then speculation and*
"*overtrading will have their turn. Later on, when foreign nations,*
"*unable to pay in silver, have recourse to protection, when a num-*
"*ber of secondary causes develop themselves, then many would-be*
"*wise men will have an opportunity of pointing to specific reasons*
"*which, in their eyes, account for the falling off in every branch*
"*of trade. Many other allegations will be made, totally irrelevant*
"*to the real issue, but satisfactory to the moralising tendency of*
"*financial writers. The great danger of the time will then be, that*
"*among all this confusion and strife, England's supremacy in com-*
"*merce and manufactures may go backward to an extent which*
"*cannot be redressed when the real cause becomes recognised, and*
"*the material remedy is applied.*"

M. ERNEST SEYD IN 1871.

THE PRESENT POSITION OF THE CURRENCY QUESTION.

In his speech at Leeds, Mr. Goschen refers to the recent financial crisis in the following terms.

"I doubt whether the public has thoroughly realized the extent "of the danger to which what is called the Baring Crisis, exposed "us all. . . You risked the supremacy of English credit, "you risked the transfer of the business of this country to other "European centres. . . I cannot exaggerate the danger, "the immediate danger, to which this country was exposed at "that time. . . You have escaped from a catastrophe "to which the famous catastrophe of Overend Gurney would have "been child's play. You have escaped from a catastrophe which "would have affected every town, which would have affected every "industry; to use a common phrase, you have escaped 'by the "skin of your teeth.' Those governing the Bank of England took "a preliminary precaution by extraordinary means—for ordinary "means would not have sufficed—they took the extraordinary "means of drawing from abroad five millions. For this course "we depended in part on the good will of the authorities of the "Bank of France. . We can frankly acknowledge that "courtesy."

In the same speech Mr. Goschen makes it plain that these difficulties were due to the great Banking and financial institutions of the country having too narrow margins of reserve. He points out that these institutions have felt encouraged in this undue pursuit of profits by the knowledge that the failure of any one of them

would be such an enormous evil that the other similar institutions of the country would be bound to come to its aid. In the case of Barings, the Government also, according to the public press, aided; and the precedent thus established will doubtless furnish further encouragement in the same hazardous direction.

On his own statement of the case, therefore, it is manifest Mr. Goschen should seek to prevent the recurrence of so grave dangers, by calling upon the Banking institutions to provide such reserves as experience proves to be necessary. That Mr. Goschen makes no practical suggestion of this nature is remarkable. He suggests more frequent publication of balance sheets, and states that unless he sees a disposition on the part of bankers to take heir share in reforms, he would hesitate to act. Further consideration of his speech seems to make the reason of Mr. Goschen's omission plain.

Eminent economists (Seyd, Lavaleye, Haupt,) have pointed out that Gold currency has been leaving England. Statesmen have not attended to these warnings. It may be it has required the Baring crisis, with all its possibilities, to awaken Mr. Goschen to the fact. Has he not awakened to it when it is rather late? When the country's "gold which would pay liabilities" has gone from it to a large amount? That this country always pays its pound sterling (once lb. troy of sterling silver) in a gold sovereign, is a frequent but perhaps unwise boast. Present indications are that the world at large is content to leave us with this boast, taking gold from us as occasion serves, and, having once secured it, taking effective means to make it prisoner so long as suits.

If economists are correct, the prospect of England being left to her gold standard, but with very little gold currency to support it, is not in the distant but in the near future. A few years, at the estimated ratio of decrease of the recent past, would sweep all gold from the country. Of course, this is impossible. The shrinkage of currency would ruin the country before all gold could leave it. But the ratio of recent years is probably too favourable a base of calculation. Austria-Hungary is now contemplating the adoption of a gold standard and relative sale of silver for gold. India's demands for gold are yearly increasing, and under recent vagaries in the price of silver, are likely to increase. On the base of the balance of

trade of recent years, India's demand upon our gold may be £8,000,000 sterling per annum. Gold never returns from India. At present, Russia is said to be a creditor of England for £12,000,000—doubtless held in English securities. Germany and other Continental nations, constantly hold demands upon us for gold payments, which they use to regulate exchanges between London and these Continental nations in their own favour. The foregoing are some of the large figures, but the minor demands upon this country for gold, must, in the aggregate, be larger. If this is correct, it does not seem unreasonable to say this country is at the moment unable to pay the gold debt for which it is almost at any moment liable, without incurring unprecedented disaster. Mr. Goschen has eloquently emphasized the evils which recently were brought to a point by the withdrawal from Messrs. Barings of $1\frac{1}{2}$ millions of gold by Russia; and in light of what is stated, it does not seem unreasonable to conclude that the boasted financial supremacy of England is not only in danger, but lies at the mercy of alien States.

Mr. Goschen holds that

(1) The available metal money reserves of this country are inadequate in time of emergency.
(2) Being a gold country, we are bound to pay in gold.
(3) Neither France nor Germany can be compelled to pay in gold (he might have added, since the passage of the recent Silver Act, the United States of America also).

Mr. Goschen points out that in this country it is impossible to put a premium upon gold (i.e. to protect it) unless we have

(1) An inconvertible currency, or
(2) A kind of moral and political pressure as in Germany, which would be inacceptable in this country, or
(3) Unless we have Bi-metallism.

In view then of the facts that our metal money is already inadequate—that we have no means to protect even what we have, and that the rate paid for gold at the Bank of England has failed in recent years to attract sufficient supplies of that metal, Mr. Goschen's reasons for not insisting upon bankers holding larger reserves is apparent. The banks cannot buy gold at a premium to part with it for its legal tender price. Therefore it does not appear unreasonable to presume that even the genius of Mr. Goschen does not see any way by which through

the natural operation of our present laws, the gold currency of this country can be augmented at such cost, or under such circumstances, as render its attainment desirable. Of course, the use of gold can always be hired by paying sufficient interest for it.

Hence the general tenor of Mr. Goschen's suggestions is, by legislation, to conserve and make available for international payments a large proportion of the gold now held in the pockets of the public and used for internal circulation.

Keeping the foregoing in view, it is interesting to study Mr. Goschen's proposals to meet future evils. Leaving the Bankers under the weight of the reproof which he has administered for their mal-administration of their affairs, Mr. Goschen proceeds to formulate suggestions, that will, he hopes, both protect the Bankers and the public from the risks arising under the present state of affairs. To accomplish this, he contemplates calling from the pockets of the people gold moneys, to be replaced in part by gold notes; also to be replaced in part by notes of 10/- valuation payable in silver. But Mr. Goschen (perhaps intentionally perhaps unintentionally) does not say whether the silver held against these notes is to be token coined silver—to be bullion at market price of the day—or to be legal tender silver on the base of the coining value of silver of say 66d. per oz. Without this very important information, and in view of Mr. Goschen's recent answer in the House of Commons, it is presumed he contemplates holding token tender silver only, on the base of 66d. per oz.

When carrying out this operation, Mr. Goschen also contemplates, at the national cost, providing for the renewal of the light weight gold coins in circulation. Lastly, in carrying out the operations, he seeks to make provision, at the national cost, for the expense of printing and maintaining the relative note issues.

The advantages to the banking community of these proposals are manifest, say

(a) A Second Reserve of gold held at the cost of the community to avert the national disasters to be apprehended from the failure of the Banks to provide adequate reserves.

(b) Light gold in circulation, the bulk of which is held by the Banks, estimated by the Mint to be light, £800,000. The Banks proportion, say £700,000.

The disadvantages to the public, however, are also manifest. The position will be made plain by illustrating the working out of the plans upon presumed amounts.

By the issue of £20,000,000 of gold £1 notes, this sum of gold will be withdrawn from the public. These notes are all convertible back again into gold on demand, and this conversion is provided for by the gold withdrawn and added to the Bank of England's reserves. But in addition to providing security for the notes issued, the above hoard of gold, or a portion of it, is to be at the command of the government (or some special authority), in time of great emergency. Once parted with in this emergency (and it is useless to call it in at all if it cannot be so parted with) the security for the full payment of the notes is gone. It may be but an omission, but there is no plan indicated for the replacement of the gold once it is parted with, and the public, in that case, appears to be left with inconvertible notes—having, however, no doubt the good name of the Government for their security. This, in its final result, appears open to the objections of "printing press money."

Here it must be asked :—As it is stated we cannot protect our gold currency except under an inconvertible currency, or Bimetallism, why does Mr. Goschen make no provision for one of these? He tells us he does not look upon the "acceptance" of Bimetallism as a "practical possibility" at present; but has he nothing to suggest as to some measure of inconvertible currency? Strange to say, Mr. Goschen's policy is directly the reverse of protecting our gold—he seeks to make provision for its more easy withdrawal by recalling it from the pockets of the people, where it is comparatively safe, into one central hoard, which can be operated upon instantly. No better argument against Mr. Goschen's proposal could well be found than Mr. Goschen's own statements. It seems reasonable to say that until means can be found to protect our gold supply, as the other nations protect theirs, we will be foolish to give up the measure of protection which now exists in the fact of the gold being in the pockets of the public.

The issue of silver 10/- notes is more remarkable. They are intended to take the place of half-sovereigns withdrawn from circulation. On the presumption that £10,000,000 of such gold is withdrawn, the position is this : At to-day's price ofsilver of 46d. per oz.—the seigniorage (or profit) upon silver coined

amounts to 43½ per cent. Consequently, in exchange for £10,000,000 gold value, and automatic money in any mint in Europe, the public will receive notes, representing silver, costing £6,968,642, equal £3,031,358 gain to the Government, and loss to the public at to-day's price of silver.

These 10/- notes are not to be full legal tender, but their tender is to be limited to 40/-. Thus even the government issuing these notes in return for full legal tender gold, will not take them back in payment of its own rates and taxes to over 40/- stg.

Of course, such notes will not be held by Banks, or large institutions, except in small amounts for the convenience of their customers. Their main circulation will be in paying wages to work people. Work people do not know very much of currency matters, and if these notes are judiciously introduced, the wage-earning classes and their shopkeepers are never likely, so long as the "Second Reserve" holds good, to understand the operation whereby they may be in a position of holding a "warrant" for metal, which, under further demonetization of silver, may not be worth a shilling anywhere, having given in exchange for it their 10/- of gold metal, good value everywhere. It is submitted that this is undesirable currency legislation. Already the wage earners are the main holders of the grievously over-rated Silver Currency. Is there any principle in our currency legislation that condemns wage earners to nothing but token money? The gold money of the country is not even charged with the cost of its coining!

No doubt the solvency of the Banks is essential to the whole mass of credit under which British trade is carried on; any failure of which would involve the nation in ruin. But why call upon the wage-earning classes to run all the risk of providing all the stability and support?

So much in comment upon what is supposed to be the salient points of Mr. Goschen's proposals. But it has to be noticed he binds himself to nothing, and even what he suggests is, no doubt intentionally, very vague.

For twenty years the "Battle of the Standards" has continued. This country has sought to keep outside of the conflict, but has been unable. In currency matters the nations of the world are "all members one of another." Gold mono-metallism prevents the conjoined use of the two precious metals as money. A use which at unregulated but recognised ratios—(slowly altering with the

centuries during earlier times, but which never altered during the period of Bimetallism set up by France)—has prevailed, according to Max Müller, from the 16th century B.C. up till 1871.

The demonetizing of silver by Europe and America has been injurious to mankind, though benefitting the few. Is there any economist or politician, agriculturist, manufacturer, or merchant in this country, who does not deplore the departure from the currency usages of the world as these existed prior to 1871? If there is, he has not yet spoken. *

There appears no doubt that English gold mono-metallists are as desirous as bimetallists that Bimetallism should be re-established as it existed prior to 1871. They recognise the immense advantages of it. The question with them is, what nations are to do this? Free coinage in America they admit would do it. So far as can be gathered from their limited utterances, the question with gold mono-metallists is, what will require to be paid or conceded by this country to secure Bimetallism by other countries? What is the least concession this country could make in the direction of silver that will induce other nations to alter their laws so as to secure Bimetallism?

That is the tenor of the proposals of Mr. Gladstone's Government to the Paris Commission of 1881, as it is the tenor of the six Royal Commissioners upon the recent currency commission, who held the gold side. The attitude, from one point of view, can hardly be called dignified, and appears more suggestive of seeking an advantage at the expense of other nations, than an indication of an effort to solve the difficulties surrounding these nations and ourselves upon a mutually equitable and fair agreement. It may, however, be taken as certain, that India, the United States, the Latin Union, Holland, Mexico, &c., all desire a return to the old Bimetallic system. They recognise it to be for their advantage. We also recognise it to be for their advantage as well as our own. Why should we not aid them?

In "playing for an opening" in recent years, the game has gone against us. Mr. Goschen quotes that

the Bank of England holds Bullion,	£24,000,000,
Bank of France	95,000,000,

* In 1889 Lord Salisbury said, "The dislocation, as it has been expressed, between the currency of India and of this Country, has, I fully believe, deeply affected the interests both of India and of this Country; and I suppose that there is no one who does not heartily wish that that dislocation had never taken place."

Bank of Germany,	44,000,000,
U.S. of America,	142,000,000.

We must accept the logic of facts. Our poor £24 millions of gold—all the available reserve of the leading financial nation of the world—is open to attack from all other nations, while we cannot attack their gold. Our store is inadequate, we cannot add to it, and under our present currency laws, we are in danger of losing what we have.

Accepting the facts of our position along with the facts of the mono-metallist policy, we must recognise that now our time of emergency and extremity has come. We have found our financial position to be hazardous; and when one of our leading financial statesmen is seeking to amend it, surely it is wise for us to consider if while giving weight to the points of imperial financial policy which the genius of Mr. Goschen suggests, we can do anything without risk and without damage to our own Empire, materially assisting the restoration of that monetary system, the departure from which is universally deplored.

Some slight concession on each of the two sides of the controversy might probably secure practical unanimity. It is in this hope that the following suggestions are made.

To prevent gold being further withdrawn from this country, Mr. Goschen points out that we have only two courses of action open to us The one is Bimetallism, and the other is a currency not convertible into gold.

Without deducting one iota from the theory, and rapid as has been the progress in favour of Bimetallism in this country during the past few years (150 members of Parliament are believed to be in its favour) let us assume that until the subject is better understood —until some of its leaders are relieved of Cabinet responsibilities—the "acceptance" of the principle of Bimetallism is not a "practicable possibility."

Can no middle course be devised, which, while meeting the views of mono-metallists to preserve the single gold standard of Britain, would at the same time furnish a limited amount of inconvertible currency as a protection against the foreign drain of gold, and also fulfil the other requirements of Mr. Goschen?

In considering this question, reference is naturally made to England's position at the Paris Monetary Conference of 1881. From the record of the meeting on the 6th July, '81, it will be

found that Mr. Gladstone's Government offered, "On condition that the mints of other nations revert to the observation of rules ensuring the exchange of gold for silver and of silver for gold at a legal rate," to keep the Bank of England open to the purchase of silver to the amount of one-fourth of the total bullion held in the Bank of England, to issue full legal tender notes against the same.

The recent Royal Commission upon currency was equally divided. Six members were in favour of the unqualified acceptance of Bimetallism; the remaining six thought the immediate acceptance of it would be premature. The six commissioners opposed to it, though not bankers, may be fairly taken as representing the Banker or creditor side of the question, as distinguished from the trading community (who are generally debtors to the capitalist class), and the working classes, who, possessing no gold are interested in obtaining it. Taking the views of these six commissioners, it is useful to find from part two of the Report, paragraphs 134 to 137, that in addition to the foregoing provision, "negotiations" are "suggested" which would "probably be in the direction of an agreement that each nation should annually coin a certain amount of silver," and that "in any nation where silver is not now legal tender to an unlimited amount, it should be made so to a greater extent than at present." The Commissioners further state, "It is worthy of consideration whether foreign governments might not be approached with a view to ascertain whether they would open their mints to a greater extent than at present to the coinage of silver for a given term of years, on an undertaking from India that she would not close her mints during the same period. In order to assist such an arrangement, we think that part of the bullion in the issue department of the Bank of England might be held in silver, as permitted by the Bank Act of 1844."

To avoid misapprehension in condensing, paragraph 137 is quoted in full, and is as follows: "We think that the best suggestion in relief of the tension of the existing situation, is to be found in the issue of small notes based on silver. These might become the substitutes for the half sovereign, and if they came into general use, they would afford a remedy for those difficulties in relation to that coin to which public attention has been prominently called. Twenty-shilling silver notes might

"also be issued. If these were put into circulation they would "probably pass largely into use, without any alteration of the law "of legal tender; and we are inclined to think the Mint or Bank "might safely be required to issue such notes to some fixed "amount, in exchange for silver bullion taken at the average "market price; or the Government might issue them upon con- "dition of retaining silver capable of being coined into an equal "number of shillings. The market thus opened for silver might "check the decline in price of the metal, besides producing an "economy in the use of gold."

Keeping the foregoing prominently in mind, the following suggestions are put forward.

It is gathered from the "revised and authorized" report of the Chancellor of the Exchequer's speech at Leeds and his answers to questions in Parliament, that he desires

(1) To form a special reserve of gold of say £20,000,000.

(2) To recoin the light gold now in circulation, at an estimated cost of £800,000.

(3) To issue silver 10/- notes in the room of half sovereigns in circulation, to the extent of say £10,000,000 to £15,000,000 stg. These half sovereigns being an expensive currency, not to be reissued.

The following suggestions are submitted :—

(a) That £1 notes, payable in gold, be issued to the extent of say £20,000,000 sterling—the gold so withdrawn from circulation to form the "Second reserve," and be against the notes, but available (under allocation of security, and such other provisions as may be advisable) for temporary purposes by the Government to the extent of two-thirds.

(b) That small notes be issued (which may very well be of 10/- denomination) to the amount of £10,000,000 to £15,000,000 stg. These notes to be secured by coined silver, of full weight, (and/or a fiduciary issue against Consols,) to be full legal tender, and to be payable in silver, which silver is also to be full legal tender. Two-thirds of the silver so held, to be available, under allocation of security, to the Government for temporary purposes.

(*Note.*—It is estimated bullion held to the amount of one-third of the amount of small notes issued, is a sufficient reserve to secure their convertibility in all ordinary circumstances.)

Illustrative of the working out of the foregoing proposal, it is pointed out that gold £1 notes issued, being in return for gold received, the only further point to be noticed specially, in connection with this issue, is the provision to be made for the expense of the operation—which expense is provided for in what follows.

In view of the uncertainty regarding the future price of silver, an exact illustration of the working out of the silver portion of the foregoing scheme cannot be formulated. It, however, seems reasonable to assume, in view of the present state of the silver market, that by a simultaneous operation in the different silver markets, and in conjunction with the Government of India, &c., an amount of silver equal to £3,000,000 sterling, could be purchased at or near the present price of say 46d. per oz.—equal to a seigniorage of $43\frac{1}{2}$ per cent. (The seigniorage earned upon the silver coined in 1889 was 54 per cent on average cost of silver of $42\frac{13}{16}$d.) To prevent doubt, the following calculation is based upon a seigniorage of only 27 per cent., being one-half of the rate in 1889.

Assuming that the operation of issuing silver notes has reached a total sum of say £7,000,000 stg., and that this amount is invested, say £4,000,000 in consols, yielding $2\frac{3}{4}$ per cent. per annum interest, and the remaining £3,000,000 in silver, yielding the seigniorage of 27 per cent., the result is as follows :—

£3,000,000 stg., in silver, @ 27 per cent. seigniorage yields a gain of		£810,000
Cost of renewing light gold,	£800,000	

£4,000,000 Consols @ $2\frac{3}{4}$ per cent. per annum interest give £110,000 per annum for the maintenance of the note issue.

It is indisputable that the best security for notes is the metal in which they are payable. It is therefore supposed that as further notes are issued, further silver will be bought at the best rate obtainable.

In favour of the above proposals, it is pointed out that they are

in accord with the suggestions of the Currency Commissioners, who held opinions favouring gold, and they are also in accord with the policy of Mr. Gladstone's government. Farther

(1) That the Treasury secures all the advantages aimed at, and at the same time, according to the price of silver, earns a larger or smaller profit. (Silver, at the full mint price of 66d. per oz., leaves a handsome seigniorage. It is 11oz. 2dwt. silver and 18dwt. alloy producing 66/-, of which 4/- are retained by the Mint.) On the other hand, the Treasury is fully protected against possible loss in any circumstances.

(2) Silver notes of full legal tender would be readily accepted in payment of silver bullion bought.

(3) As the contemplated issue of silver notes would replace full legal tender half sovereigns, it is necessary the notes should have the same privilege of tender as the half sovereigns displaced, otherwise the currency would be less efficient.

(4) The public could not reasonably be expected to part with £10,000,000 in half sovereigns, which either as metal or coin would command full value in any mint in the world, in exchange for warrants covering at market price £6,968,642 of token silver, unless the Government issuing these notes agrees to accept them itself in payment of debts or taxes due to it.

(5) Notes of full legal tender secured upon full legal tender coin would provide that inconvertible (into gold) currency which the Chancellor recognises as an efficient protection against gold being withdrawn from the country. It has been proved an efficient protection in the instance of France, and no other effectual protection against the withdrawal of the "second reserve" has been suggested. This protection would probably never be resorted to (*vide* Germany). Still, in event of unseen and unexpected urgent national extremity, it would prove valuable. This proposal would thus give this country the same protective advantage as France, and America, &c., enjoy, without this country possessing the masses of silver money owned by these countries.

(6) A silver issue has the advantage of not driving gold from the country, as a fiduciary issue does. A point to which the Chancellor of the Exchequer attaches great weight.

(7) Silver represented by notes would no longer be open to the objections of its weight and bulk which was the reason for its

tender being to a limited amount only "for the facility of exchange and commerce" (56 Geo. iii. cap. 68).

(8) A moderate recognition of Silver by England, and a disposition to do what we can, would have great moral influence upon other countries favourable to silver, as Russia, America, and the Latin Union, and a deterrent influence upon those contemplating a gold standard, as Austria-Hungary.

(9) Its result, therefore, would be in the direction of averting further disturbances of Exchanges between Silver and Gold countries by a further fall of silver in terms of gold. Doubtless, also, a further result would be in the direction of encouraging other nations to restore silver to its former status, and so gradually render possible the world wide restoration of a ratio between gold and silver, without England opening her Mint to silver, or adopting the Bimetal theory.

(10) The 10/- Silver Wage Note would be preserved to some extent from the chances of a further fall in silver destroying its value, with the probability of its becoming by and by the representative of automatic coin.

(11) By reserving the right to have this suggested silver issue represented by either Consols or silver, the Treasury would have freedom as to the time when silver purchases might be made, and freedom too (up to the limit) as to the amount of Silver or Consols it might so purchase.

(12) The issue of Silver being small and strictly limited by law, need not be feared as affecting the gold monometallism of England.

(13) It might be urged that an issue of £10,000,000 of legal tender silver is an inflation of the currency.

Owing to the decrease of our gold, this is utterly untenable. An increase of metal money is imperative, to fill the gap left by gold withdrawn, and to provide for the growing necessities of the country. Gold is unattainable under present circumstances.

(14) It might be urged that to have full legal tender silver coins or notes circulating in the same currency with token silver, is an objection.

There are instances of similar circulations in other currencies which have not clashed. Besides, silver received against notes, would circulate in the notes and not in the silver itself. The six Currency Commissioners favouring gold themselves suggest such

an issue. The Government, on the authority of the Bank of England, offered it in 1881.

(15) Another objection that may be suggested is that this country by purchasing silver might but furnish opportunity to some other nation, such as France, to sell silver.

In answer, it is stated, that French silver was bought and is circulating at the equavalent of say 60d. ℔ oz., so that France has no inducement to part with silver at that price. Again, this country has meantime no reason to buy at any such rate. Her purchases would no doubt be wisely made as circumstances directed.

(16) It is generally maintained that in view of England being a large creditor country upon Foreign loans, debts, &c., it is specially important that she should maintain her gold money.

In qualification, it is pointed out that unless these loans and debts are sterling gold loans, they are subject to the currency laws of the countries of the borrowers. Thus France, America, India, &c, &c., cannot be compelled to pay in gold, but only in the legal tender money of these countries. So far as such loans or debts therefore are concerned, the interest of this country is to aid in maintaining the legal tender currencies of these nations. Further it is evident that requiring payment from say the Argentine Republic in gold, of debts, or interest on debts, incurred under the Bi-metal conditions prior to 1873, we are doing injustice, and may destroy our debtors, so perhaps preventing them paying either capital or interest.

(17) Mr. Goschen attaches the utmost importance to Britain being a gold country. He urges that it is because this country always pays in gold, that it is the centre of the banking of the world, as thereby it draws to itself the balances of other nations, and so becomes the cheapest money market Here, however, he is probably stating as a truism what he would be unable to prove. Upon this theory alone the mono-metallism of this country appears to rest. It therefore calls for consideration. In disproof it is pointed out London was the banking centre before Lord Liverpool's Act was passed, when silver and not gold was the money of account in England. That London has maintained that position many competent observers hold is due to totally other causes than the fact of Britain being a gold monometallic country. They maintain it is due to the commerce of the

country, and the industry of the people. But above all, Mr. Goschen's statement that the fact of Britain being a gold money metal country makes it the cheapest market in the world, is contrary to fact. For some years past, both Paris and Amsterdam have been cheaper money markets than London; Berlin also is very frequently cheaper; and recent events appear to show that to Paris, and not to London, the world must look for cheapness. With London banks holding larger reserves of coin the difference will be accentuated.

Another point of equal importance in this connection, which Mr. Goschen has not referred to, is that between the years 1873 and 1890, the changes in the rate of interest by the Bank of England have been 150 against 25 by the Bank of France. Again, in these years, the average changes per annum in the Bank of England rate, have been $8\frac{1}{3}$ per cent. in comparison with $1\frac{7}{8}$ per cent. in the Bank of France. This position becomes the more remarkable when it is remembered that during these years France has had to face such catastrophes as would probably have ruined the banking prestige of England. The failure of the Panama Canal Scheme, of the Societé de Metaux, and of the Comptoir D'Escompte de Paris, are events transcending in importance the Baring difficulty. Yet France came through all these troubles almost without a tremor, and with her currency reserves unimpaired. Her statesmen did not recognise in them "a crisis, the immediate danger of which it was impossible to exaggerate." Mr. Goschen is invited to remember that until Germany discarded silver, founding upon the mistaken notion to which Mr Goschen would seem still to cling—that gold is the commanding factor of England's monetary greatness—all went well; and that since Germany adopted that error, disasters have followed alike to herself, and to the nation whose standard she mistakingly copied. It is the monometal system of England that stands now in jeopardy. The bimetal currency of France to-day is upon a better and broader foundation than that of any other nation. It is ample in volume—it is protected from undue foreign drain—it makes France the cheapest money market in the world. Yet France is dissatisfied with it, and seeks a return to her former system.

(18) Against the foregoing suggestions, it may further be urged they will probably tend to the adoption of Bimetallism by

other countries; and that if such takes place, it will have an unfavourable result upon the position of those having fixed incomes. It will also have an unfavourable influence upon businesses (as the daily press) when a higher selling price cannot be got, and costs of materials may advance

With qualifications, the above objections are admitted. Still, it is pointed out, that prices having fallen under the demonetization of silver, favouring fixed incomes and such businesses as are indicated above, a return to the former system of things cannot be described as a hardship. Capitalists will find in the increased rate of interest their money will command, owing to the extension of the field of prudent investment, compensation for its lower spending value.

By the foregoing plans, the contribution to the stability of the State by the general body of the community, would be assured. But what about the bankers contribution? They are singled out as a main cause of the position in which we find ourselves. Would it be anything else than reasonable to require the Bank of England to be guaranteed by other banks in ratio of their importance in holding a fourth of its bullion reserves in silver? If that were done, the foregoing suggestions carried out, and a guarantee offered to America and the Latin Union, that the Indian Mints would remain open to Silver for a given number of years (no one has ever seriously proposed to close these Mints), it is a reasonable certainty that France would be agreeable in terms of the answer of the French Finance Minister (M. Rouvier) in the Chamber of Deputies four months ago to call a new conference. M. Rouvier said, "Our attention is fixed on the question which has been brought forward by M. de Soubeyran. The Government has not yet arrived at a decision, but we shall consult the other States of the Latin Union, and it is possible that we shall decide to propose a re-assembling of the Monetary Conference in the course of the coming year. I assume that M. de Soubeyran does not propose that the Conference should be held before December 31."

At such a meeting, with England giving even the limited support suggested to Silver, it is reasonable to say, that system of currency which has blessed the world for thousands of years up to 1871, would be restored. Another inducement might be offered.—That in the event of other nations electing Bi-metallism, India would join the Convention, declare gold legal tender, and open her mints to its coinage at the rate internationally agreed upon. Lord Dufferin and the whole Government of India desired this. India is estimated to possess an immense sum in gold metal. By making gold currency and legal tender in that country, a portion of this gold might be restored to the world's use in place of being held in personal ornaments.

The world has now before it ample proof of Britain's impotency to gather to her coffers any such quantity of gold as would be likely to meet her own requirements, much less to prove a danger to the finances of other nations. The undefined fear entertained by other nations of England's gold monometallism, has vanished in presence of later facts and knowledge. Formerly it was suspected England's gold monometallism was in some impalpable way a masterstroke of British financial statesmanship. To-day it stands discredited by the foremost British financial statesman, and by facts. The terrible injury it is doing to British interests is being at last recognised. The question of Britain joining in a world wide scheme of Bi-metallism is thereby proved to be a matter of much greater importance to the interests of England herself than to other nations.

Under Bi-metallism, established by other nations, Britain would share fully in the advantages of universal money. She would hold her place among the nations, not as trembling upon the verge of national disaster, as set forth by the Chancellor of the Exchequer, but as holding, in right of her wealth, her commerce, her stable institutions, the supremacy of the financial world. Her currency would be at one with her own dependencies everywhere—with the Eastern as with the Western world—automatic throughout in its working, and in its increased volume, making some provision for the increasing wants of a growing commerce.

The total sum of the precious metals in the world is estimated at £1,200,000,000 to £1,600,000,000.

The average annual production of the precious metals for the five years—1875-79 inclusive, is . . £37,650,000,
1885-89 " . . 42,075,000,
increased rate of production per annum for the latter period of years, £4,425,000. This increase amounts to but ·037 per cent. per annum upon the estimated mimimum stock! In view of the

absorption of a large portion of that increase in the arts, &c., it is manifest such an addition can of itself have no depreciatory influence upon the value of money, the demand for which is insatiable.

Is there one economist—one reasonable thinking being—who recognises the increase of trade, of population, the action of Russia, Austria-Hungary, China, Japan, in properly seeking to establish their currencies on a metal basis, who will question that so far from being excessive, the world's production of the precious money metals, used to their full use and extent, are inadequate to preserve values under the "quantitive theory?" If there is, "let him stand up." Yet the ignorance or folly of nations has thrown aside one of these metals—debased and debarred it that use which under the consensus of opinion of all mankind it has for thousands of years hitherto enjoyed.

What wonder the trade and agriculture of England for these past twenty years, since 1871, have been at falling values, with very short intervening periods of rather better things? What wonder England, the greatest commercial nation in the world, and with boundless wealth in other forms—but pinched in gold, her only money metal—is face to face with calamities, the gravity of which the Chancellor of the Exchequer cannot find words to express!

The export business of this country with Europe, America, Canada, Manilla, &c., &c., is greatly barred by protective tariffs. Further almost prohibitive tariffs are in contemplation by France, Spain, Brazil, &c. Britain's export business with countries not bound by tariffs—India, China, &c.,—is greatly hindered by currency fluctuations, so violent and continuous, that legitimate business has become impossible.

To pay for our foreign food and other supplies, we must send either goods or money. Tariff restrictions are making the export of goods increasingly difficult. The decreasing quantity of our only money metal, points to a time when we will experience greater and greater difficulties in supplying the second alternative.

A great deal more can be said both for and against the compromise suggested in the foregoing proposals. The details given are not intended to be actual propositions, so much as indications of lines that could be followed—and as making the arguments

clear. The question is—In view of the whole facts, do the suggestions indicated reasonably meet the vast difficulties presented? They are submitted with the diffidence which some study of the subject inspires.

GEO. HANDASYDE DICK.

Glasgow, *March*, 1891.

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